



Our strategic focus areas

The past year saw continued investment into our business to achieve our key strategic objective of delivering investment excellence.

This is supported by the following strategic focus areas:



Long-term investment performance



Client service



Growing a global franchise



Governance



Corporate citizenship

Our performance against each of these strategic focus areas is detailed in the section that follows.



LONG-TERM INVESTMENT PERFORMANCE

Coronation is committed to delivering strong investment returns. This remains the key driver of our business strategy. While the longer-term performance across our entire fund range remains excellent, we experienced short-term underperformance in certain strategies over the past year. This was below our own expectations and that of our clients. We are working hard to rectify this.

Investment performance

Our institutional and retail clients who have been invested with us for meaningful periods of time have enjoyed exceptional returns (→ refer to pages 35 to 36).

Institutional: balanced portfolios

QUARTILE RANKING TO 30 SEPTEMBER 2018

	5-year ranking	10-year ranking	20-year ranking	Since inception ranking
Alexander Forbes SA Large Manager Watch™	4th	3rd	1st	1st
Alexander Forbes Global Large Manager Watch™	2nd	1st	1st	1st

Source: Coronation and Alexander Forbes as at 30 September 2018

Retail: domestic flagship funds

QUARTILE RANKING TO 30 SEPTEMBER 2018

Investor need	Fund	5-year ranking	10-year ranking	Since inception ranking
Long-term growth (equity only)	Top 20	3rd	1st	1st
Long-term growth (multi-asset)	Balanced Plus	2nd	1st	1st
Income and growth	Capital Plus	4th	1st	1st
	Balanced Defensive	2nd	1st	1st
Income only	Strategic Income	1st	1st	1st

Source: Morningstar as at 30 September 2018

Retail: international flagship funds

QUARTILE RANKING TO 30 SEPTEMBER 2018

Investor need	Fund	5-year ranking	10-year ranking	Since inception ranking
Long-term growth (equity only)	Global Emerging Markets	4th	1st	1st
	Global Opportunities Equity	2nd	1st	1st
Long-term growth (multi-asset)	Global Managed	2nd	–	1st
Preservation and growth	Global Capital Plus	2nd	–	1st

Source: For GEM (USD): A-class Bloomberg performance compared to peer group as at 30 September 2018. For Global Capital Plus and Global Managed (USD): Morningstar P-classes (available on platforms), as at 30 September 2018 – custom peer groups based on funds and relevant classes available for sale on South African platforms. The peer group size for Global Capital Plus equals 26 funds, while the peer group size for Global Managed equals 39 funds (both numbers include Coronation funds). For all other funds (rand-denominated): Morningstar A-classes as at 30 September 2018 based on ASISA categories excluding Coronation funds in that category

Challenges and risks

Recent market volatility highlights that the risk of a sharper tightening of global financial conditions is the biggest risk to the outlook for growth. US Federal Reserve (Fed) policy is, as always, central to global developments. Given the strong, broad-based growth being experienced in the US, the Fed is on track to continue raising interest rates over the next two years – at this stage ahead of its counterparts in other countries. This should, on balance, support the US dollar, but it also implies tighter financial conditions in emerging markets and the likelihood of developing economies' growth rates declining. Were the Fed to tighten more quickly than the markets expect, a broader range of countries could come under pressure.

Current key geopolitical risks include:

- ▶ The impact of US economic policy on the rest of the world
 - › Both fixed income and equity valuations are vulnerable to a rising interest rate environment, but non-US markets are less vulnerable as they have not reacted to the same extent as the US market.
 - › Emerging markets have already seen a selloff in currencies and capital markets, but their levels of indebtedness are generally not as bad as they were in prior emerging markets crises.

- ▶ Trade wars will negatively affect global growth, and China, which is most directly impacted, may see about 0.5% shaved off its GDP growth. Trade flows will settle and adapt to the new tariffs and will more than likely move from China to other Asian countries like Bangladesh and Vietnam.
- ▶ The rising threat of geopolitical tension with US President Donald Trump's antagonistic moves against most global leaders. A potential hot spot is the Middle East, where he has isolated Iran by unilaterally pulling out of the Iran nuclear deal. These escalating tensions are already having a direct impact on economies through higher oil prices.

For the South African economy, 2018 has been the worst year since the dawn of democracy; even worse than the period immediately following the global financial crisis in 2008/2009. Generally, the South African equity market has been a tough playing field as it has moved sideways over the last three years. It has not been an easy environment, in which to generate positive returns. The good news is that this is history and the outlook and potential return from this point on is more positive.

As long-term investors, we cannot predict how the current set of uncertainties will play out. We remain focused on valuation and will seek to take advantage of attractive opportunities that may emerge. We aim to generate inflation-beating returns for our investors over the long term. Amid market uncertainty, our objective remains to build diversified portfolios that can withstand shocks (→ refer to page 32).



EXCELLENT CLIENT SERVICE

Our aim is to match excellent investment performance with outstanding client service.

Putting clients' needs first is at the forefront of what we do. We know that without clients we have no business and that the assets under our management can leave us at 24 hours' notice. In the past year, we believe that we demonstrated our commitment to achieving excellent client service:

Client satisfaction

We aim to provide excellent levels of service to all our clients. In the institutional arena we had a very active year, carrying out 621 face-to-face client engagements in 16 countries. In our personal investment business, client satisfaction was measured through ongoing client experience surveys with our direct retail investors, as well as annual qualitative research among financial advisers.

In our Annual Investor Survey, we received 5 004 completed surveys which showed that the vast majority of respondents are more than satisfied with our service and offerings (*→ refer to page 37*). Our compliance department reviewed all complaints received on a monthly basis and, in the current reporting period, no material client complaints were required to be formally escalated to the Audit and Risk Committee.

The key principles of our retail client service philosophy are accessibility, accuracy and simplicity. We have therefore set demanding client service benchmarks to ensure our client service team remains focused on delivering on these principles.

Coronation supports the principles set out in the Financial Sector Conduct Authority (FSCA)'s Treating Customers Fairly (TCF) initiative and, through our involvement with ASISA, we are actively engaged in refining the practical aspects of this outcomes-based framework.

Fees

Our primary job is to add value to the investments that our clients have entrusted to us. We do this through disciplined application of our long-term investment philosophy, by hiring skilled investment professionals and by ensuring that we have a simple and needs-orientated fund range at a fee proportionate to the outcomes our clients receive. (*→ Refer to page 37 for details on the fee reductions and discounts currently in place.*)

Transparency

We continue to support the principles of clear information disclosure. The past year saw improvements to the effective annual cost standard that was implemented in the previous financial year. This standard requires ongoing disclosure of investors' total expected costs. This is available to all Coronation personal investors through our secure online platform. In addition, non-clients can generate an investment quote on our website, which shows the effective annual cost forecast, while current clients can download a performance summary report (*→ refer to page 38 for details*).

Client security

We continue to invest in ensuring our clients' information is secure and their investments are protected. Over the year, we introduced a number of new controls, including a SIM swap check that will temporarily block users to our secure website should their phone number recently have undergone a SIM swap. For more information on our IT risk approach, (*→ refer to pages 91 to 95*).

Enhanced client service platforms

We continued to build on the various client service enhancements effected during the prior financial year aimed at enhancing our capacity to deliver world-class service to our significant local and growing offshore business.

- ▶ We completed the implementation of our new fund administration model, which consolidates our asset administration service across local and offshore portfolios.
- ▶ We completed the final phase of insourcing our client reporting and correspondence, which relate to our retail life and retirement products.
- ▶ We migrated our unit trust client register administration to a black-owned business.



GROWING A GLOBAL FRANCHISE

Although we are a proudly South African business, we are global investors. We invest in most developed markets and offer our clients the benefit of our specific experience in emerging and frontier markets.

Since the launch of our global franchise more than 10 years ago, we have made great strides in establishing a world-class track record in our specialist Emerging and Frontier Market strategies.

This franchise has developed into a compelling business and growing it will be a key focus area in the years ahead. We manage a combined total of R61 billion (September 2017: R71 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices. While the past year saw a material shift towards passive strategies away from traditional active managers, we believe net outflows of R4.2 billion, or 5.9% of our opening AUM, is a reasonable outcome.

Our emerging market expertise has helped us to cut through the noise and focus on the value offered by individual companies over the long term. It has also helped us to find exceptional value where others may only see risk as we understand the dynamics of developing economies against the background of political turmoil.

We remain confident in the long-term outlook for our global strategies as well as their value proposition and will continue to focus on distinguishing ourselves from the global peer group. Our view is that active investors like ourselves will deliver the best returns in emerging and frontier markets; many of the best investments in these markets lie beyond the largest indices.

We do not believe that indices such as the MSCI Emerging Markets Index are an appropriate reflection of all the value and investment opportunities in emerging markets. Many of the holdings in the index are often below-average businesses (particularly state-owned banks and energy groups), which are subject to significant state regulation. Often, these companies are poor stewards of capital, and are exposed to cyclical earnings.

In addition, with any similar index, or by investing in an index fund, an investor would systematically own more overpriced stocks, sectors and countries, and fewer of their underpriced counterparts. The importance of researching and selecting a winning portfolio with strong opportunities within emerging markets is even greater when the overall backdrop is challenging.

Accordingly, we build concentrated portfolios of 50 to 70 stocks made up of high-conviction ideas and managed on a clean-slate basis. Our portfolios therefore look significantly different to the index. In fact, we are comfortable taking decisive positions away from the benchmark when the investment case is compelling, as these positions are underpinned by convictions derived from our proprietary analysis.

We are confident that these fast-growing markets will become increasingly vital, and our active, valuation-driven investment approach should continue to yield attractive returns.

AFRICAN INVESTOR
CAPITAL MARKET INDEX
SERIES AWARDS

Best Africa Fund Manager

2010, 2012 and 2016 to 2018

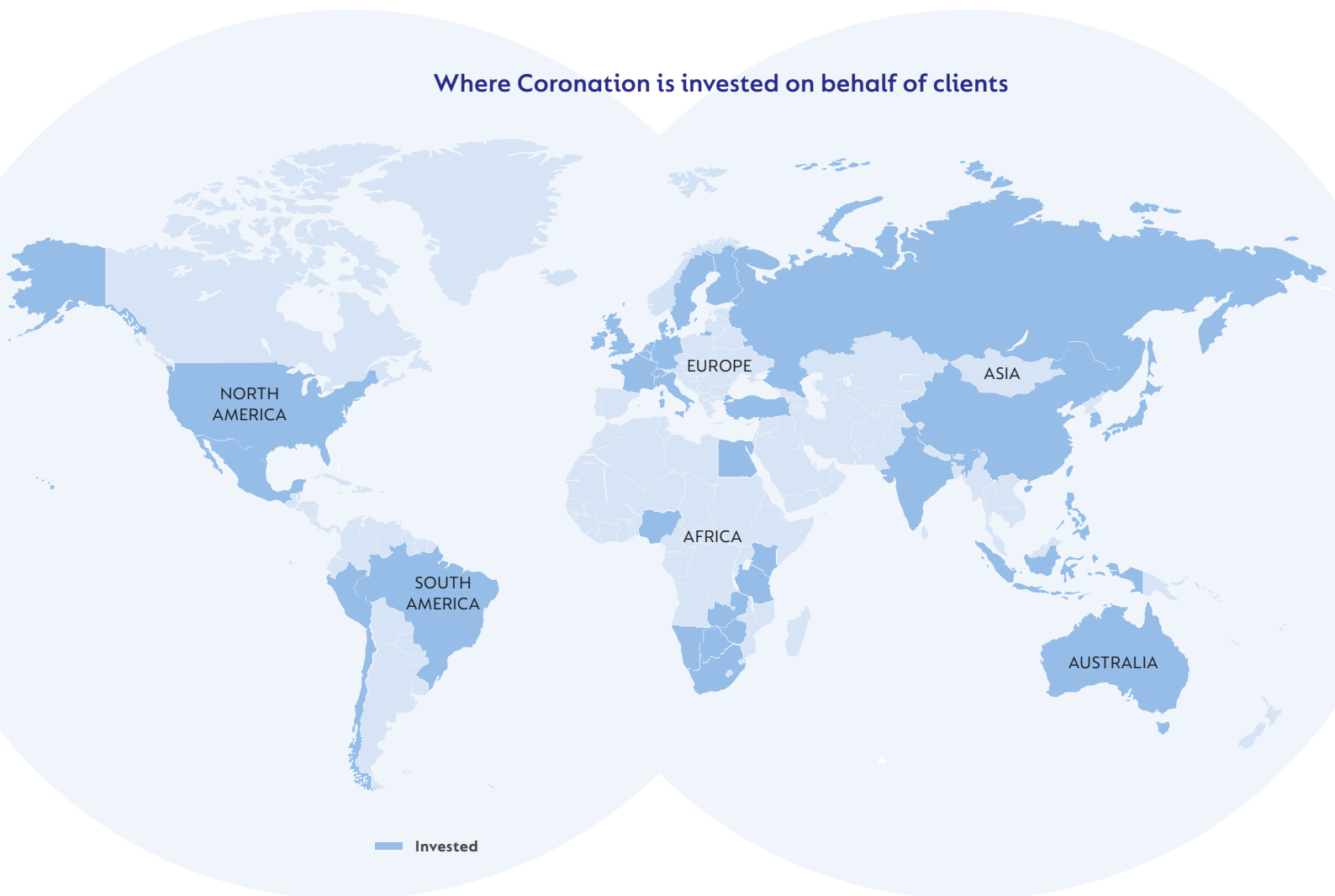
Strong international track record

US DOLLAR RETURNS SINCE FUNDS' RESPECTIVE LAUNCH DATES

Offshore US\$ funds	Active return* %	Launch date
Global Equity Fund of Funds	1.9	1 July 2000
Global Emerging Markets Equity Strategy	3.4	14 July 2008
Global Bond	1.6	1 October 2009
Coronation Africa Frontiers Strategy	8.8	1 October 2008
Global Capital Plus	6.9	1 September 2009
Coronation Global Managed Strategy	1.4	1 November 2009

* Annualised active return for institutional portfolios (gross of fees) since launch to 30 September 2018

Where Coronation is invested on behalf of clients



* Countries that have a weight of less than 0.01% of assets under management are not included



CORPORATE CITIZENSHIP

We are in it for the long term, which is why we are committed to broad-based transformation and economic empowerment.

SINCE INCEPTION,
A TOTAL OF

187

black employees have benefited directly from the economic upliftment afforded through their personal shareholding in Coronation.

Coronation is a proudly South African business. We are one of a few independent asset managers who manage global money from a Cape Town-based head office.

Our focus is on the long term. In everything we do, we consider the long-term impact of our actions on our business, our stakeholders, the wider community and the environment.

We strive to conduct our business with integrity

Our Board-appointed committees monitor our business progress and development. This includes oversight of and monitoring adherence to Coronation's code of ethics and related policies, as well as reviewing monthly reports submitted via our anonymous whistle-blowing hotline.

We continue to play an advocacy role in South Africa amid concerns about the integrity of our state to help secure an inclusive and growing economy. We engaged with government bodies on various issues, as well as with regulators via ASISA. Coronation is part of the CEO Initiative and is a member of Business Leadership South Africa (BLSA).

We are committed to advancing transformation in South Africa, by achieving a transformed, diverse workplace.

Through disciplined recruitment, we focus on transformation in all areas of our business and have made a significant contribution to the transformation and development of skills in the broader financial services industry. Over the years, many exceptional black employees have been recruited, trained and retained, many of whom now hold management roles within the business (→ refer to page 51 for details).

Our scholarship and bursary programmes have been instrumental in achieving a diverse workplace and will continue to make a considerable contribution in coming years.

Black ownership of our Company

In 2005, Coronation launched the Imvula Trust (Imvula), the first employee-only black economic empowerment deal in the country. By working exclusively with our own people, we created a partnership that we believed would have

a meaningful impact on our business and, over time, achieve true social change. In the creation of a new generation of owners, we made a long-term investment in our people, our business and the economy.

Supporting black businesses in financial services

New black-owned transfer agency

In 2017, Coronation, along with PPS Investments, supported the creation of IntlA which provides dedicated and independent transfer agency services. IntlA is one of the first black-owned and managed transfer agency service providers in South Africa.

The business obtained the necessary licensing and met all regulatory requirements needed to provide the transfer agency services which commenced in November 2018.

Black-owned asset managers

Pre-dating black economic empowerment legislation in South Africa, we pioneered a number of corporate initiatives that contributed to transformation and the development of skills in the asset management and financial services industry in southern Africa.

Our most notable successes include:

- ▶ Partnering in the launch of the first Namibian-controlled asset manager – leading to the establishment of Namibia Asset Management in 1996;
- ▶ establishing and funding of African Harvest Asset Management* in 1999 (subsequently bought out by Cadiz Asset Management); and
- ▶ launching Kagiso Asset Management*, a joint venture with Kagiso Trust Investments, in 2001.

Black-owned stockbrokers

In 2006, we introduced a groundbreaking initiative to transform the South African stockbroking industry with the launch of the Coronation Business Support Programme; an intervention to grow emerging black stockbrokers.

* Coronation holds no interest in these business

We allocated a minimum of 10% of our South African equity annual brokerage to a group of black stockbrokers. The allocations were guaranteed for periods of three to five years. Coronation also offered operational and strategic support to the participants by means of regular interaction with the CEO and the Head of Dealing. Critical to the programme's success was Coronation's dedicated allocation to skills development, which was one of the key criteria for ongoing inclusion in the programme.

Since 2006, Coronation has allocated in excess of R286 million in brokerage to the programme participants. As a result of this, a number of the businesses have evolved into sustainable stockbroking houses with value-added offerings to the investment community as a whole.

For both the industry and the companies themselves, the transformation has been material.

The programme's success inspired the creation of a broader industry programme. In 2016, ASISA launched its Stockbroker Development Programme, with Coronation as one of its sponsoring managers. Five other large fund managers are also supporting the programme.

B-BBEE scorecard

The FSC provides a benchmark against which we determine our B-BBEE rating. The revised FSC was gazetted as a sector code effective 1 December 2017 in terms of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003. Based on the revised FSC, we are a Level 2 contributor.

Preferential procurement

Our holistic approach to preferential procurement affords us the opportunity to meaningfully contribute to the economic growth and empowerment of all South Africans. Through this programme, we aim to broaden our reach to a growing number of predominantly black-owned and black female-owned supplier businesses, thereby encouraging the formation of new enterprises and the creation of much needed employment opportunities.

The strict implementation of our Procurement Policy guides the continual increase in the procurement of services from B-BBEE-accredited suppliers. It also requires that we identify potential future B-BBEE-accredited suppliers.

Through our Supplier Oversight Programme, regular due diligences are conducted to confirm existing and prospective supplier credentials. Where necessary, we exert our influence over those suppliers where transformation progress is in conflict with our procurement policy or the objectives upon which we have agreed with suppliers. We remain committed to awarding a greater proportion of spend to empowered suppliers over time.

Black financial advisers

As a sponsor and cofounder of ASISA's Independent Financial Adviser (IFA) Development Programme, we provide business development support and skills training to black IFAs. Since the programme's inception in 2015, it has trained 92 black IFA practices and created internship opportunities for 60 individuals (28 of these interns have been absorbed into the practices).

Bursaries and skills development

Since 1993, more than 100 students from underprivileged areas all over South Africa have been given the chance to achieve their dream of a better future through the Coronation Bursary Programme.

The programme provides students with full tertiary bursaries to study at any recognised university in South Africa. These bursaries are awarded on merit and financial need. Over the period of study, students are supported by trained tutors and matched with a Coronation mentor to assist with integration into university life. Furthermore, all students have the opportunity to gain practical work experience through vacation work, primarily at our Cape Town office.

Candidates also have the opportunity to be financed by the Coronation Employee Bursary Fund, which was created in 2007 through voluntary donations made by Coronation employees. In this instance, funding has typically been allocated to beneficiaries of the Coronation Bursary Programme who have expressed a desire to complete a postgraduate degree or master's programme.

In acknowledgement of the vital role played by education in releasing individuals from a life of poverty, we extended our reach to include high-school students in 2012. Since then, we have provided 92 scholarships to previously disadvantaged students through our involvement with the South African Innovative Learning Intervention.

In addition to the Coronation Bursary Programme, we provided support to the second pilot of the Ikusasa Student Financial Aid Programme (ISFAP) which is a public-private partnership that will fund students studying towards occupations in high demand.

To assist in growing and deepening the investment industry's pool of talent, we created a number of internship programmes within our Company and permanent black trainee analyst roles within our investment team.

Our intention is to create a skills development pipeline that will nurture talent within our business and the industry as a whole. We established a successful two-year work experience programme for unemployed graduates in 2012. Thirteen new graduates joined this programme in 2018. Over the past six years, a total of 55 graduates have benefited from our programme.

To further transform the industry through the development of much-needed skills, we launched our External Intern Programme during the course of 2016. This course is run in partnership with one of our suppliers and provides graduate internships for a 12-month period. The programme is aimed at developing specific skills that are in short supply in the marketplace.

Coronation commits extensive resources to developing communities through improved education and entrepreneurship (as detailed on → [pages 45 to 48](#)). In the past year, more than 15 500 school children benefited from our programmes.

Treading lightly

We aim to contain our environmental footprint. We have taken steps to reduce our carbon usage through internal measures and in the way we communicate with clients. We have stopped providing printed documents at many of our events to cut down on paper wastage. All used paper and toner cartridges are recycled.

Where appropriate, we have introduced e-reporting to clients, which has significantly reduced paper use. We limit air travel and use video-conferencing facilities in all our offices, which are based in Cape Town, Johannesburg, Pretoria, Dublin and London.

Our Cape Town head office workspace has been greened through the ultraviolet treatment of windows and efficient use of lighting. In the past year, excess marketing material was donated and recycled into clothes and bags. We have introduced biodegradable products in our employee restaurant, and all organic waste is collected by a contractor and composted.



EFFECTIVE GOVERNANCE

Coronation's ability to add value is heavily dependent on its reputation, which is embodied in its message 'Trust is earned'. The governance processes at Coronation are designed to support ethical and effective leadership emanating from Board level and into the various supportive governance structures within the Group.

Coronation's governance structures, much like its portfolios, have been designed to perpetuate long-term value creation for our stakeholders.

The Company's leadership is effected through a unitary board that comprises a majority of independent non-executive directors who are primarily responsible for the strategic leadership of the Group with the aim of maintaining an ethical, effective and sustainable business for all stakeholders. The Board is supported in its role by three subcommittees, which discharge responsibilities on behalf of the Group (→ refer to pages 76 to 80), as well as by its subsidiary boards. To ensure consistent application of the overall Group strategy, the CEO serves as an executive director on each subsidiary board.

The Board and governance structures add value through:

► Diversity and cross-pollination

A core consideration in selecting appropriate candidates to serve on the Board is to ensure each individual director brings an appropriate mix of skills, experience and perspective that add value to the robust strategic decision-making processes employed. To this effect, the Board has adopted Group nominations and Board diversity policies (→ refer to page 75; policies available on www.coronation.com).

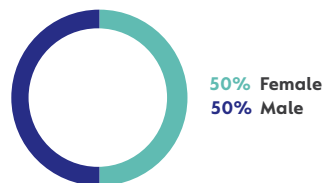
Cumulatively, the Board comprises chartered accountants, chartered financial analysts (CFAs), masters in business administration (MBA) and law, as well as a bachelor of medicine and chemical engineering. Board members are additionally well dispersed in terms of age; however, tenure of Board members has been a focus of discussion in the current year, which was specifically considered in the external assessment of Board independence referred to below. (→ Refer to pages 71 to 72) for comprehensive biographies of the Board members.

Diversity among non-executive directors in relation to voluntary targets set out in the Board Diversity Policy are reflected in the graphs below.

While each member of the Board serves on at least one subcommittee, all Board members attended each meeting of the Audit and Risk Committee during 2018, which underscores the culture of leading and managing the business to the highest standards of ethics and governance. The cross-pollination of Board members on subcommittees and regular attendance at these meetings ensures all material matters are considered from a variety of perspectives, to better support the ultimate decisions of the Board.

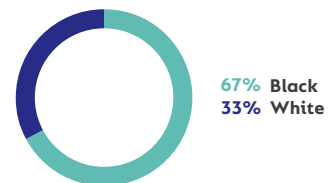
NON-EXECUTIVE DIRECTORS BY GENDER

Voluntary female membership target: 50%



NON-EXECUTIVE DIRECTORS BY RACE

Voluntary black membership target: 50%



➤ **Ensuring effectiveness and independence**

The Board's fiduciary duty is to always act in the best interests of the Company and its stakeholders through exercising autonomy in its decision-making process. Assessing the effectiveness of the Board is therefore a crucial element in determining whether Board members are unfettered and possess adequate capacity to meaningfully engage in the strategic leadership of the business to achieve the desired outcomes for stakeholders. The Board is led by an independent non-executive Chairperson, who is supported by a lead independent director.

All Board members act independently from each other, as well as any shareholder or other stakeholder group.

During 2018 a formal external assessment of the Board was conducted, including the effectiveness and independence of non-executive directors serving in excess of nine years (→ *refer to page 72*).

➤ **Accessibility and transparency**

Outside of formal Board and subcommittee meetings, the Board is accessible to management, who frequently consult with directors, individually and collectively, on a broad range of topics.

Executive directors and management are responsible for implementing the strategy of the Board, as well as ensuring the effective operation of all areas of the business. This includes development and implementation of appropriate policy, as approved by the Board, in addition to ongoing reporting to the Board and its subcommittees, to enable the Board to effectively fulfil its duties of accountability and oversight of management's execution of its Board approved mandate.

Consequently, the integrity of the operating model and, the information produced for the Board, is ensured through the Group-wide combined assurance model (→ *refer to pages 81 to 90*).